The Smart Approach to Student Loans and Consumer Debts

Do The **Smart** Thing

May 2004

This brochure contains important information about student loans. It is a valuable resource to assist borrowers in making smart repayment decisions and in understanding the options to avoid delinquency and default.

Important note for loan borrowers who have graduated, withdrawn, or dropped below half time enrollment:

Your school will notify you if you have been provided this brochure for loan counseling purposes. If that is the case, your school may instruct you to complete the Exit Interview Verification Form inserted at the end of this brochure. You must return the completed form to your school. Your school will provide you with the mailing address to which the completed form must be sent.

Student loans are valuable resources for assisting students and parents with paying for college. They offer low interest rates, attractive repayment options, and low origination and guarantee fees.

However, when you receive a student loan, you must repay it even if you:

- **are not satisfied with your education,**
- **do not complete your program of study, or**
- **are unable to obtain employment.**

Remember:

- Student loans must be repaid.
- The amount of money you decide to borrow for school may affect your lifestyle after you leave school.
- Your ability or inability to repay your student loan will affect your credit worthiness for purchases such as a car or home.
- Failure to repay your student loan can increase your total debt because unpaid interest and collection costs may be added to your loan balance.

Start Smart

before you decide to borrow

Furthering your education is a decision you make to develop your potential and pursue career goals. It is also a major investment of your time, effort, and money. The earlier you start planning, the more you could save.

1. **Consider your career interests.** Consult your high school counselor or college adviser to assess your interests and abilities. You then can research occupations that match your interests and skills. The Occupational Outlook Handbook is a very useful tool and is available online at www.bls.gov/oco. Talk to students, faculty, and alumni about their experiences in programs of study leading to those occupations.

2. **Explore all types of schools.** You have many options for continuing your education, including two- and four-year public and independent colleges and universities and private career schools. Research and compare all types of schools so you can determine which is best for your program of study and your budget. If you are considering an out-of-state school, be prepared to pay out-of-state tuition, which may cost twice as much as tuition for in-state schools.

3. **Develop a financial plan.** By increasing your income and decreasing your spending, you might not need to borrow. If you do need to borrow, you might be able to borrow less, reducing your total student loan debt.

Increase your resources

Financial Aid - Missouri offers several student financial assistance programs to help you pay for college. For more information on state and federal student financial assistance, contact the MDHE Information Center at (800) 473-6757, (573) 751-3940, or icweb@dhe.mo.gov. You can also contact the Federal Student Aid Information Center at (800) 4FEDAID, or visit www.studentaid.ed.gov for information about federal financial assistance, and college and university financial aid offices for information on their financial assistance programs. Also, check with community groups, businesses, religious groups, and civic and service organizations.

Savings - In addition to personal savings, the Missouri Saving for Tuition (MO$T) program can be used to pay for college. MO$T offers a combination of federal and state tax incentives to encourage participants to save for college. For more information, call (888) 414-MOST or visit www.missourimost.org.

Federal Tax Incentives - Federal law provides several tax incentives to help students and families pay for college. You or your parents may qualify for a tax incentive such as:

- Hope Scholarship Tax Credit
- Lifetime Learning Tax Credit
- Student Loan Interest Deduction

For more information, visit www.irs.gov and refer to Publication 970 or contact the Internal Revenue Service at (800) 829-1040.

Work - Federal Work-Study, internships, part-time jobs, summer and holiday work, and assistantships all provide income as well as work experience and references. Check student employment postings on campus.

Tuition Reimbursement - Employers may reimburse or provide financial assistance to employees for college expenses.

Cooperative Education - Some schools offer work-for-credit programs.

Sponsorship - Some organizations and companies pay college expenses in return for work after graduation.

Military - Check with local military recruiters about educational financing options.

Decrease your expenses

Prepare for college while you are in high school.
Data indicates that students who start their college preparation early by taking rigorous courses in high school may eliminate the need for remedial courses in college. In addition, these students are better prepared for college and graduate from college at a higher rate. Look into Advanced Placement and dual credit courses, which allow you to earn college credit while in high school.

Follow an academic plan.
Many students change their majors while in college, sometimes postponing their graduation dates by a semester or more. Choose a degree program early, and plan a schedule of courses for your entire time in college, ensuring you do not take longer than necessary to graduate.

Eliminate or reduce spending for unnecessary items.
For example, live at home or find a roommate to share expenses. Use a carpool or take public transportation if you don't need a car.

Can you afford to attend the school you prefer?
Once you select a school and know the amount of financial assistance you will receive, decide whether you can afford to attend that school by following the steps in the following section to prepare a budget.

Smart Decisions

budgeting and debt management

Use these steps to prepare an estimated budget to determine your discretionary income after you leave school or to help you decide how much you can afford to borrow while you are in school.

1. Identify your sources of income, including your anticipated take-home pay.
Visit www.salary.com to research salary information.

2. Calculate your expenses.

- Include your anticipated monthly student loan payments as well as rent/mortgage, groceries, utilities, transportation, medical, and personal expenses.

- Once you have borrowed a student loan, use the National Student Loan Data System (NSLDS) at www.nslds.ed.gov to access your student loan account and determine your total debt. If you don't have Internet access, you can call (800) 4FEDAID for this information.

- Use the loan calculator at mapping-your-future.org/features/loancalc.htm to estimate your monthly student loan payments based on the amount you borrow or expect to borrow, or use the student loan repayment charts on pages 6 and 7.

3. Subtract your expenses from your income to calculate your discretionary income.
You should have some discretionary income.

8 percent rule

Most financial advisers recommend student loan payments not exceed 8 percent of your monthly gross income. Multiply your estimated gross income (before withholdings) by .08. Your student loan payments should not exceed this amount.

Remember:
Borrow only the amount you need. If you determine that you need additional funds later, talk with your school's financial aid office.

Student Loan Repayment Chart

Standard 10-Year Repayment Period

Total Amount Borrowed	Minimum Payment	Total Interest Paid	Minimum Annual Salary Needed	Minimum Hourly Salary Needed
$5,000	$61.33	$2,359.16	$9,199	$4.42
$7,500	$91.99	$3,538.74	$13,798	$6.63
$10,000	$122.65	$4,718.32	$18,398	$8.85
$12,500	$153.32	$5,897.89	$22,997	$11.06
$15,000	$183.98	$7,077.47	$27,597	$13.27
$17,500	$214.64	$8,257.05	$32,196	$15.48
$20,000	$245.31	$9,436.63	$36,796	$17.69
$25,000	$306.63	$11,795.79	$45,995	$22.11
$30,000	$367.96	$14,154.95	$55,194	$26.54
$35,000	$429.28	$16,514.10	$64,393	$30.96
$42,500	$521.27	$20,052.84	$78,191	$37.59
$57,500	$705.25	$27,130.31	$105,788	$50.86
$65,000	$797.24	$30,669.05	$119,586	$57.49
$72,500	$889.23	$34,207.78	$133,385	$64.13
$87,500	$1,073.21	$41,285.26	$160,982	$77.39
$95,000	$1,165.20	$44,823.99	$174,780	$84.03
$102,500	$1,257.19	$48,362.73	$188,578	$90.66
$117,500	$1,441.17	$55,440.20	$216,175	$103.93
$138,500	$1,698.74	$65,348.66	$254,811	$122.51

All figures are based on an 8.25 percent annual interest rate (regulatory maximum) and equal monthly payments.

Minimum salaries are based on the 8 percent recommendation: Student loan payments should not exceed 8 percent of your gross income.

Student Loan Repayment Chart

Extended 25-Year Repayment Period*

Total Amount Borrowed	Minimum Payment	Total Interest Paid	Minimum Annual Salary Needed	Minimum Hourly Salary Needed
$30,000	$236.54	$40,960.51	$35,480	$17.06
$35,000	$275.96	$47,787.26	$41,394	$19.90
$42,500	$335.09	$58,027.39	$50,264	$24.17
$57,500	$453.36	$78,507.65	$68,004	$32.69
$65,000	$512.49	$88,747.78	$76,874	$36.96
$72,500	$571.63	$98,987.90	$85,744	$41.22
$87,500	$689.89	$119,468.16	$103,484	$49.75
$95,000	$749.03	$129,708.29	$112,354	$54.02
$102,500	$808.16	$139,948.42	$121,224	$58.28
$117,500	$926.43	$160,428.67	$138,964	$66.81
$138,500	$1,092.00	$189,101.03	$163,801	$78.75

All figures are based on an 8.25 percent annual interest rate (regulatory maximum) and equal monthly payments.

Minimum salaries are based on the 8 percent recommendation: Student loan payments should not exceed 8 percent of your gross income.

***You may be eligible for the extended repayment plan if you received your first loan on or after October 7, 1998, and your total student loan debt exceeds $30,000.**

Borrow from one lender. If you borrow from multiple lenders, you will have to make multiple student loan payments each month unless you consolidate all your loans under one lender.

Rights and responsibilities. The master promissory note that you are required to sign when you borrow a student loan lists your rights and responsibilities. Keep this information, and know the terms and conditions of the loans you have borrowed.

Smart Choices

loan types

The Missouri Department of Higher Education (DHE) Student Loan Program is the state-designated guaranty agency that administers the Federal Family Education Loan (FFEL) Program on behalf of the U.S. Department of Education. The FFEL Program includes subsidized and unsubsidized Federal Stafford Loans, Federal Parent Loans for Undergraduate Students (PLUS), and Federal Consolidation Loans. Your school's financial aid office can tell you which loan types you are eligible to receive.

Subsidized Federal Stafford Loans

Eligibility for a subsidized Federal Stafford Loan is based on financial need as determined by a standard federal formula:

Cost of Attendance
— Expected Family Contribution
— Grants, Scholarships, and Other Assistance
= Unmet Financial Need*

Unsubsidized Federal Stafford Loans

Unsubsidized Federal Stafford Loans are awarded according to the following formula:

Cost of Attendance
— Grants, Scholarships, and Other Assistance
= Loan Eligibility*

***Subject to annual and aggregate loan limits on p. 13.**

Federal Parent Loans for Undergraduate Students (PLUS)

Federal PLUS Loans allow parents to borrow, non-need-based loans for their dependent students.

Federal law requires that lenders check the credit history of PLUS applicants. Parents may be denied a Federal PLUS Loan due to adverse credit, which is defined as:

- the applicant being 90 or more days delinquent on the repayment of any debt, or
- the applicant being subject to a default, tax lien, write-off of an educational debt, bankruptcy discharge, foreclosure, repossession, or wage garnishment during the previous five years.

In some cases, an applicant may appeal an adverse credit determination. If a parent is denied a Federal PLUS Loan, the dependent student might be eligible for an additional unsubsidized Federal Stafford Loan.

Federal Consolidation Loans

A Federal Consolidation Loan allows you to combine one or more qualifying, outstanding student loans into one new loan with new terms after you complete your program of study. Generally, consolidation results in lower monthly payments but increased total debt.

Low Interest Rates

Interest on Federal Stafford and PLUS Loans are assessed at a variable rate, adjusted annually on July 1. The method for determining the annual adjustment will be described to you each year that you borrow and the actual rate will appear on the Notice of Loan Guarantee and Disclosure Statement.

Interest Rates

Subsidized Federal Stafford Loan

An annual variable rate that cannot exceed 8.25 percent. The federal government will pay the interest on your loan when you are continuously enrolled at least half time, are in your six-month grace period (after you stop attending school at least half time), or have been granted a deferment.

Unsubsidized Federal Stafford Loan

An annual variable rate that cannot exceed 8.25 percent. Interest begins accruing on the loan immediately after the first disbursement and continues to accrue until the principal balance is paid in full. If you choose not to pay interest while you are enrolled in an eligible school at least half time, during your six-month grace period, and during authorized deferment and forbearance periods, this interest will be capitalized and added to your principal balance.

Federal PLUS Loan

An annual variable rate that cannot exceed 9 percent. Interest begins accruing on the loan immediately after the first disbursement and continues to accrue until the principal balance is paid in full.

Federal Consolidation Loan

A weighted average of the interest rates of the loans being consolidated, rounded up to the nearest 1/8 of 1 percent (not to exceed 8.25 percent). Interest begins accruing on the loan when the disbursement is issued and continues to accrue until the principal balance is paid in full. Any portion of the loan that repays a Health Education Assistance Loan (HEAL) has a separate interest rate.

For the current interest rate, contact your lender or the MDHE Information Center at (800) 473-675, (573) 751-3940, or icweb@dhe.mo.gov.

Choice of Lenders

You have the right to borrow from a participating lender of your choice. You might want to contact the financial institution with which you or your family does business. You can also request a list of participating lenders from your school or view the list on the MDHE web site.

Master Promissory Note

The Master Promissory Note (MPN) allows you or your parent, if you are a dependent student, to receive multiple loans over the course of your education without signing a new note for each loan. Contact your school for more information about their application process.

Loan Fees

Federal law allows origination and guarantee fees to be charged to student loan borrowers. The origination fee is equal to 3 percent of the loan amount, and the guarantee fee is equal to 1 percent of the amount borrowed. Your lender will deduct these fees from your original loan amount. Currently, the Missouri DHE Student Loan Program does not charge a guarantee fee.

Once the loan fees are deducted, your lender will disburse the remaining loan amount to your school. In most cases, you will receive your loan in two (or more) disbursements according to a schedule set by your school.

Loan Limits

For **subsidized Federal Stafford Loans**, you may borrow up to your financial need or the federal maximum loan limit (see page 13), whichever is less.

For **unsubsidized Federal Stafford Loans**, you may borrow the cost of attendance at your school less any financial assistance received or the federal maximum loan limit, whichever is less.

For **Federal PLUS Loans**, parents may borrow up to their dependent student's cost of attendance less the amount of financial assistance the dependent student received.

You, or in the case of a Federal PLUS Loan your parent, can ask your school or lender to borrow less than the maximum amount for which you (or your parent) are eligible.

Annual Loan Limits for Dependent Students

Borrower's Academic Level	Sub+Unsub
First-Year Undergraduate	
■ less than one academic year	prorated
■ one academic year	$2,625
Second-Year Undergraduate	
■ less than one academic year	prorated
■ one academic year	$3,500
Third-Year and Remaining Undergraduate	
■ less than one academic year	prorated
■ one academic year	$5,500

Annual Loan Limits for Independent Students

Borrower's Academic Level	Base Amount Sub+Unsub	Additional Unsub	Total Sub+Unsub
First-Year Undergraduate			
■ less than one academic year			prorated
■ one academic year	$2,625	$4,000	$6,625
Second-Year Undergraduate			
■ less than one academic year			prorated
■ one academic year	$3,500	$4,000	$7,500
Third-Year and Remaining Undergraduate			
■ less than one academic year			prorated
■ one academic year	$5,500	$5,000	$10,500
Graduate/Professional*	$8,500	$10,000	$18,500

Total Amounts Students Can Borrow

Borrower's Academic Level	Dependent Student Base Amount Sub+Unsub	Additional Unsub	Independent Student Total Sub+Unsub
Undergraduate	$23,000	$23,000	$46,000
Graduate/Professional*	$65,500	$73,000	$138,500

* Certain health profession students may be eligible for additional unsubsidized Federal Stafford Loan amounts.

Smart Preparation

loan repayment begins

Making your student loan payments on time each month will help you establish good credit. Do not wait until you leave school to think about repayment. Plan ahead while you are still in school.

Your loan repayment start date depends on the type of loan you obtained. **You are required to begin repayment on time, even if you have not heard from your loan holder!** If your loan is coming due and you have not received information from your loan holder, contact the holder to inquire about where and when to mail your payments. If you do not know who your loan holder is visit the Mapping Your Future Locating Your Loans web site at mapping-your-future.org/services/locator.htm. You may also check your student loan history on the National Student Loan Data System (NSLDS) at www.nslds.ed.gov. If you do not have Internet access, you can call (800) 4FEDAID.

Subsidized and unsubsidized Federal Stafford Loan borrowers are eligible for a six-month grace period. The first payment is due within 60 days after the grace period ends.

With **subsidized Federal Stafford Loans**, you can make payments while you are in school and during the grace period. Payments made for subsidized loans during these periods will be applied to the principal balance as long as you inform your loan holder that the payments should not be considered “paid ahead.”

With **unsubsidized Federal Stafford Loans**, you can make payments while you are in school and during the grace period. Unless you make interest payments the interest amount will be added to your loan principal, increasing your total loan debt.

With **Federal PLUS Loans**, the first payment is due within 60 days after the loan is fully disbursed. Since interest accrues after the first disbursement, parent borrowers may want to make interest payments before subsequent disbursements are made.

Smart Results

the effect of interest

Interest is the cost of borrowing. You are using federal funds for a period of time and that use has a cost associated with it. If you understand the effects of interest, you can make the right decisions to help reduce your total debt.

Principal balance is the original amount you borrowed, plus capitalized interest, less principal payments.

Simple interest is calculated only on the principal portion of your student loan.

Variable interest is tied to a certain index (depending on the loan) and changes periodically as the index changes.

Fixed interest does not change.

Accrued interest is calculated on your unpaid principal balance each day. The formula for calculating daily accrued interest is as follows:

Daily Interest =

$$\frac{\text{Annual Interest Rate}}{\text{365.25 days}} \times \text{Unpaid Principal Balance}$$

Example

Interest accrual based on a $2,625 loan with an annual interest rate of 8.25 percent.

Daily Interest =

$$\frac{.0825}{\text{365.25 days}} \times \$2{,}625$$

$$= \$.5929157$$

Capitalized interest is unpaid accrued interest that is added to the principal balance of your loan when it enters repayment, a deferment or forbearance ends, or when a loan defaults. When interest is capitalized, your total debt increases.

The following example will give you a better understanding of how important it is to make interest payments. Although you are not required to make these payments, you can save yourself a considerable amount of money over a standard 10-year repayment period.

Example

Branden borrows a total of $18,000 in unsubsidized Federal Stafford Loans during four years of school and pays the interest on his loans before repayment begins. Branden's interest rate is 8.25 percent, the regulatory maximum.

	Amount Borrowed	Debt	Total Interest
Year 1	$4,000	$4,000	$27.50 per month/$330 per year
Year 2	$4,000	$8,000	$55.00 per month/$660 per year
Year 3	$5,000	$13,000	$89.38 per month/$1,072.56 per year
Year 4	$5,000	$18,000	$123.75 per month/$1,485 per year

Total interest paid on loans while in school: **$3,547.56**

Repayment*

Monthly payment if interest WAS paid before repayment began:	$220.77
Monthly payment if interest was NOT paid before repayment began:	$264.29
Total interest paid on the loan if it WAS paid before repayment began:	$8,492.97
Total interest paid on the loan if it was NOT paid before repayment began:	$10,166.82

Branden saves **$1,673.85** in interest over 10 years by making interest payments while in school!

*Based on a standard 10-year repayment period

Smart Planning

repayment options

Your loan holder should inform you of your repayment terms before you enter repayment. The terms will be based on a standard 10-year repayment plan; however, you should ask your holder about the following alternative plans and any other repayment options they offer.

Prepayment

- Smartest choice
- You can prepay all or part of your loan at any time without penalty.
- Prepayment may substantially decrease your total interest costs.
- Be sure to indicate on any prepayment that your loan holder should apply it to the principal.

Standard Repayment

- Best choice if you can't prepay
- Fixed schedule of equal monthly payments
- Maximum 10-year repayment period
- Minimum $50 monthly payment
- Ideal for borrowers capable of meeting full monthly principal and interest payments

Graduated Repayment

- Short-term relief
- Monthly schedule that starts with small payments that increase gradually over time
- Maximum 10-year repayment period
- Your loan holder will set your minimum monthly payment, which generally must equal at least the monthly interest charge.
- Assumes your income will grow over time to cover the increasing loan payments.
- You will pay higher total interest than if you had chosen the standard repayment plan.

Income-Sensitive Repayment

- Temporary safety net
- Monthly schedule that fixes payments for one year at a time. Payments may increase or decrease each year as your income rises or falls.
- Maximum 10-year repayment period (can be extended annually up to five years if payments are less than the standard principal and interest)
- Your loan holder will set your minimum monthly payment based on income documentation you provide. Even if you are not required to, try to pay the amount of interest that will accrue on your loan each month. Otherwise, your loan balance will continue to grow.
- Monthly payments generally range from 4 percent to 25 percent of your monthly gross income.
- Substantially increases your total debt. Try to return to a standard repayment plan as soon as possible.

Extended Repayment

- Available if you received your first loan through the FFEL Program on or after October 7, 1998, and if your total FFEL Program debt exceeds $30,000
- Fixed annual or graduated repayment schedule
- Maximum 25-year repayment period
- Your loan holder will set your minimum monthly payment, which must at least equal the amount of interest due. The minimum annual payment amount is $600.
- Substantially increases your total debt. Try to return to a standard repayment plan as soon as possible.

Smart Options

problems with repayment

You may experience financial difficulties due to unemployment, illness, or other hardships. Don't be embarrassed or afraid to talk with your loan holder about any difficulties you might be having.

If you do not make a full payment on your loan each month, your loan will be considered delinquent. Delinquency can lead to default. (See pages 23-25 to learn about the consequences of default.) Unlike consumer debt, such as credit cards and car loans, student loans have built-in options to help you. Contact your loan holder immediately if you're having problems making your payments! Ask your loan holder about your eligibility for the following options.

Deferment

Defined as a period of time during which you may postpone payments

- **Interest continues to accrue**
  On unsubsidized Federal Stafford Loans, Federal PLUS Loans, and most Federal Consolidation Loans, unpaid interest will be added to your principal balance, increasing your total debt. You may choose to make interest payments. Contact your loan holder to request this option.
- **Various types are available**
  For example, in-school deferments, economic hardship deferments, and unemployment deferments are available depending on when you borrowed your oldest outstanding loan.
- Your loan holder must grant your deferment request if you meet the federal eligibility requirements.

For additional information about deferments, go to mapping-your-future.org/paying/defernav.htm.

Forbearance

Defined as a period of time during which you are permitted to temporarily stop making payments or reduce the amount of your payment

- Interest continues to accrue on all loan types.
- Your loan holder may grant you a forbearance if you are willing but temporarily unable to make full or partial payments and do not qualify for a deferment.
- The decision to grant you a forbearance is up to your loan holder; however, your loan holder may be required to grant a forbearance under certain conditions.

Loan Consolidation

Defined as the process of applying for a new loan that will be used to pay off your existing student loan debt

- Option for borrowers who want to combine one or more of their eligible loan types into one loan and make payments to one loan holder.
- May result in an extended repayment period which may cause your monthly payments to decrease.
- May result in a loss of deferment eligibility or other benefits available on existing loans.
- Usually results in a greater total debt.

Consult your loan holder to determine whether loan consolidation is the best option for you. Your loan holder may be able to tell you the interest rate, approximate repayment period, and approximate monthly payment amount.

Married couples may consolidate their individual loans; however, this is not usually recommended. Even if you divorce, you are both responsible for the total loan debt.

Discharge (also known as "loan forgiveness")

Defined as the release of a borrower from his or her obligation to repay all or part of the loan

In some cases, your loan, or a portion of your loan, may be discharged, which means that you would not have to repay the loan that was discharged. Discharge of your student loan debt may be an option if:

- you become totally and permanently disabled;
- you die (For PLUS borrowers, if the student for whom the loan was obtained dies the loan will be forgiven.);
- your school falsely certifies your eligibility for a loan;
- your school closes before you are able to complete your program of study;
- you teach in a qualifying, low-income school district;
- you are a childcare provider; or
- your school does not make a required return of loan funds.

For more details about loan discharge provisions, visit www.dhe.mo.gov.

Student Loan Ombudsman

If you have a question or concern about your student loan, first contact your school, lender, or guarantor. Another resource available to you is the U.S. Department of Education's SFA Ombudsman. The SFA Ombudsman works with student loan borrowers to help informally resolve student loan disputes and problems. The toll-free Ombudsman Customer Service Line is (877) 557-2575. The mailing address is U.S. Department of Education, FSA Ombudsman, 830 First Street NE 4th Floor, Mail Stop 5144, Washington, DC 20202-5144. For more information, visit www.fsahelp.ed.gov.

Smart Talk

communicate with your loan holder

Even if you do not remember the specifics of interest accrual or the different repayment plans, you should always remember that you have options to avoid delinquency or default.

Contact your loan holder any time you change your address or telephone number. Having the post office forward your mail will not ensure that you will receive written information from your loan holder. You are obligated to notify your loan holder if you move or change your telephone number. In addition, you must contact your loan holder if any of your personal information such as your name or social security number changes.

Contact your loan holder immediately if you are having problems making your payments. Ask about your options before your loan becomes delinquent. Don't assume that your loan holder has approved your request for deferment, forbearance, or an alternative repayment plan. Call one week after you mail the information to ensure your loan holder received the original documentation. Even if you submit documentation, you may not be eligible. Don't assume your holder has granted your request unless you receive written verification.

Contact your school if you are having problems communicating with your loan holder. The financial aid office may be able to help you submit the necessary paperwork. Follow up with your school to ensure that this is done. Remember, the loan is your responsibility.

Always keep copies of your loan information in one place. Keep a copy of any loan applications and promissory notes; correspondence from your loan holder(s) and guaranty agency; letters about the sale of your loan; notes from conversations between you and your loan holder(s), including to whom you talked and the date; and repayment schedules or notices.

Smart to Avoid

student loan delinquency and default

Loans are not gifts or grants. They must be repaid!

If you do not make a full payment by the due date, your loan is considered delinquent. If the delinquency reaches 270 days, your loan is in default status. Your loan holder will file a default claim with your guaranty agency.

Being in default is a violation of your loan agreement. Your loan holder may reasonably assume you have no intention of repaying your loan. The consequences of default are severe:

Credit Report - Your loan holder or guaranty agency will report your default to national credit bureaus. Your default, the most severe credit rating, will remain on your credit report for seven years after your loan is paid in full.

The negative credit rating may impact your ability to obtain other credit in the future for major purchases such as a car or a home.

Transcripts - Although you retain the right to review your academic records, a hold may be placed on your official academic transcript.

Final Demand - The entire amount of your loan, including interest, will become immediately due and payable in full. In other words, your loan holder will not be required to allow you to make monthly payments. Instead, your loan holder will demand payment in full.

Collection Agency - Your loan may be turned over to a collection agency.

Collection Costs - Collection costs may be assessed to your loan. If collection costs are assessed, payments will be applied to those costs first, then to interest and principal.

Litigation - You may be sued for the debt.

Wage Garnishment - Up to 10 percent of your disposable wages may be taken and applied to your defaulted loan. Your guaranty agency will not be required to take you to court before ordering the garnishment.

Refunds/Benefits - Federal Treasury offset or state tax offset may occur, whereby payments you are eligible for (such as federal and state tax refunds, veterans' benefits, and Social Security benefits) are taken and applied to your defaulted loan.

Employment - You may be denied employment by a state, county, city, or local government, or employment with such agencies may be terminated.

Educational Financial Assistance - You will be ineligible to receive any federal or state financial assistance funds to continue your education.

Loan Repayment Options - You will no longer be eligible for deferments, forbearances, or various repayment plans.

Generally, student loans are not canceled if you file bankruptcy. There is no statute of limitations on the collection of defaulted student loans.

Remember:
You have options to avoid delinquency and default! Contact your loan holder or the MDHE Information Center at (800) 473-6757, (573) 751-3940, or icweb@dhe.mo.gov for more information about repaying your student loans.

MISSOURI DHE DEPARTMENT OF HIGHER EDUCATION

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The Missouri Department of Higher Education administers a variety of federal and state grant, scholarship, and loan programs.

For more information about student financial assistance, contact the MDHE Information Center at (800) 473-6757, or (573) 751-3940.

The Missouri Department of Higher Education makes every effort to provide program accessibility to all citizens without regard to disability. If you require this publication in an alternate form, contact the MDHE Information Center at (800) 473-6757, option 1, or (573) 751-3940. Hearing/speech impaired citizens may call (800) 735-2966.